



AUDITOR-GENERAL  
SOUTH AFRICA

Working to build public confidence

**Auditor's report of the Auditor-General to  
the Gauteng Provincial Legislature on the  
West Rand District Municipality for the year  
ended 30 June 2013**



AUDITOR - GENERAL  
SOUTH AFRICA

The accounting officer  
David Mokoena  
West Rand District Municipality  
Private Bag X033  
Randfontein  
1760

30 November 2013

Reference: 60024REG12-13

Dear Sir

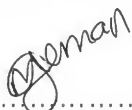
**Report of the Auditor-General on the financial statements and other legal and regulatory requirements of West Rand District Municipality for the year ended 30 June 2013**

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa section 121(3) of the Municipal Finance Management Act of South Africa (MFMA).
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements and the reported performance against pre-determined objectives. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section 121(3) of the MFMA you are required to include the audit report in the municipality's annual report to be tabled.
4. Until the annual report is tabled as required by section 127(2) of the MFMA the audit report is not a public document and should therefore be treated as confidential.
5. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
  - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
  - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.

6. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
7. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely



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Michelle Magerman  
Senior Manager: Gauteng

Enquiries: Haroon Manjerah  
Telephone: (011) 703 7600  
Fax: (011) 703 7690

# **REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE WEST RAND DISTRICT MUNICIPALITY REPORT ON THE FINANCIAL STATEMENTS**

## **Introduction**

1. I have audited the financial statements of the West Rand District Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

## **Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor-general's responsibility**

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the West Rand District Municipality as at 30 June 2013, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP, the requirements of the MFMA and DORA.



**Emphasis of matters**

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

**Significant uncertainties**

8. With reference to note 38 to the financial statements, the municipality is the defendant in a number of legal claims. The ultimate outcome of the matters cannot presently be determined. Consequently no provision for any liability that may result has been made in the financial statements.

**Restatement of corresponding figures**

9. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2012 have been restated as a result of errors discovered during the 2013 financial cycle, and for the year ended, 30 June 2012.

**Impairments**

10. As disclosed in note 29 to the financial statements, material impairments to the amount of R17 110 226 (2012: R2 303 280) were incurred on trade and other receivables, as the recoverability of these amounts are doubtful.

**Additional matter**

11. I draw attention to matter below. My opinion is not modified in respect of this matter:

**Unaudited supplementary schedules**

12. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

13. In accordance with the PAA and the general notice 1111 of 2010 issued in terms Government Gazette 33872 of 15 December 2010, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

**Predetermined objectives**

14. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages ... to ... of the annual report.
15. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information (FMPPI). The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

16. The material findings are as follows.

#### **Usefulness of information**

##### **Measures taken to improve performance not disclosed**

17. Section 46 of the Municipal Systems Act requires disclosure in the annual performance report of measures taken to improve performance where planned targets were not achieved. Measures to improve performance for the planned targets not achieved were not reflected in the annual performance report.

##### **Performance indicators not well defined**

18. The FMPPI requires that indicators should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 36% of the indicators were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently.

##### **Performance targets are not measurable**

19. The FMPPI requires that performance targets be measurable. The required performance could not be measured for a total of 23% of the targets.

##### **Reliability of selected development objectives in the annual performance report**

20. The FMPPI requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The information presented with respect to the provision of regional development planning, health and social development, public safety services and bulk infrastructure was reliable when compared to the source documentation and/or evidence provided.

#### **Additional matter**

21. I draw attention to matter below.

##### **Achievement of planned targets**

22. Of the total number of 259 targets planned for the year, 49 of targets were not achieved during the year under review. This represents 20% of total planned targets that were not achieved during the year under review.

##### **Material adjustments to the annual performance report**

23. Material audit adjustments in the annual performance report were identified during the audit of all indicators; these were subsequently corrected by management those that were not corrected have been reported accordingly.

##### **Compliance with laws and regulations**

24. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters.

### **Annual financial statements**

25. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the Municipal Finance Management Act. Material misstatements identified by the auditors in the submitted financial statements were adequately corrected, which resulted in the financial statements receiving an unqualified audit opinion.

### **Strategic planning and performance management**

26. The municipality did not prepare for the financial year a performance report reflecting the measures taken to improve performance for some target that were not achieved as per Section 46(1)(c) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).
27. The municipality did not ensure that annual performance objectives and indicators for the municipal entity are established by agreement with the municipal entity and/or included in the municipal entity's multi-year business plan, as required by section 93B(a) of the Municipal Systems Act.

### **Expenditure management**

28. Money owing by the municipality was not always paid within 30 days or an agreed period, as required by section 65(2)(e) of the MFMA

### **Asset management**

29. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which accounts for the assets of the municipality as required by section 96(2)(a) of the MFMA.

### **Internal control**

30. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

### **Leadership**

31. The accounting officer did not adequately exercise oversight responsibility over the usefulness of performance reporting.

### **Financial and performance management**

32. Management was aware of the requirements of the national treasury Framework for managing programme performance information, but did not apply the principles appropriately resulting in findings relevant to the usefulness of reported information.
33. The municipality did not have a proper system of record management that provides for the maintenance of information that supports the reported performance contained in the annual performance report. There was also a lack of standard operating procedures for the appropriate planning.
34. Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.



35. Management did not review and monitoring of compliance with applicable laws and regulations
36. Management did not implement controls over daily and monthly processing and reconciling of transactions

## **OTHER REPORTS**

### **Investigations**

37. Various investigations are in progress for the financial year under review, the investigations relate to financial misconduct by certain employees in the finance unit.

*Auditor-General*

Johannesburg

30 November 2013



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